

Estimated Average Health Plan Investment Needs In the Next 3-5 Years*

(for Large Health Plans with Revenues > \$500 Million)



Investment Category	Low	High
HIPAA Health Insurance Portability and Accountability Act	\$30	\$60
eCommerce	\$10	\$40
Consumer-focused Initiatives	\$20	\$40
IT Infrastructure Improvements	\$30	\$50
Merger and Acquisition Activity**	\$330	\$450
Other (e.g., merger integration expenditures, partnerships / interconnectivity, potential future regulations, etc.)	Additional	Additional
Total Investment (in Millions)	\$420+	\$640+

*Estimates based on industry analyst projections and current market conditions; may evolve given new information over time

** Estimated based on the average actual cash expended on mid-range health plan acquisitions since 1997, screened against available merger candidates in CareFirst's markets

Source: Gartner Research, 2000 Payer IT Budget and Staffing Survey, August 14, 2001; Gartner Research, 2000 IT Spending and Staffing Survey, October 2, 2000; SEC Filings; Company press releases; Merger news articles; Accenture analysis, surveys and client experience

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Recent survey findings regarding IT expenditures suggest that a plan similar in size to CareFirst might allocate \$5 - \$10 million a year to eCommerce initiatives.

Estimated Health Plan eCommerce Budget*

Gartner - 2000 Payer IT Budget and Staffing Survey Health Plans >\$500MM Revenues

	\$PMPY
Operating budget allocation	\$ 32.28
Capital budget allocation	\$ 14.05
Total IT Spend \$PMPY	\$ 46.33

Gartner - 2000 IT Spending and Staffing Survey All Industries

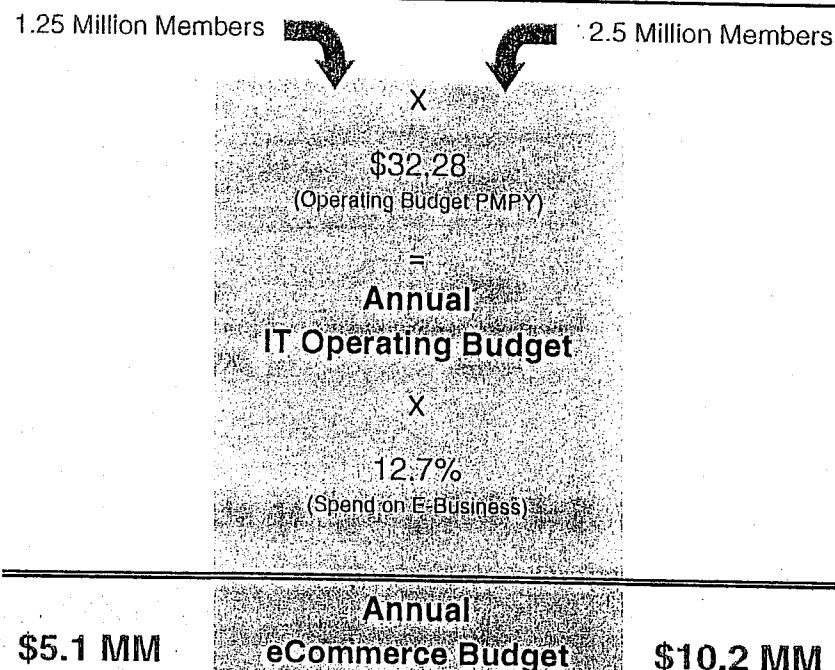
	% of IT
Spend on E-Business as % of Operating Budget	12.7%
<i>Allocation of E-Business Spend by IT Budget Category</i>	
• 50% on New Developments	
• 21% on Major Enhancements	
• 13% on Application Support & Maintenance	
• 17% on Infrastructure & Administration	

Low Estimate

1.25 Million Members

High Estimate

2.5 Million Members



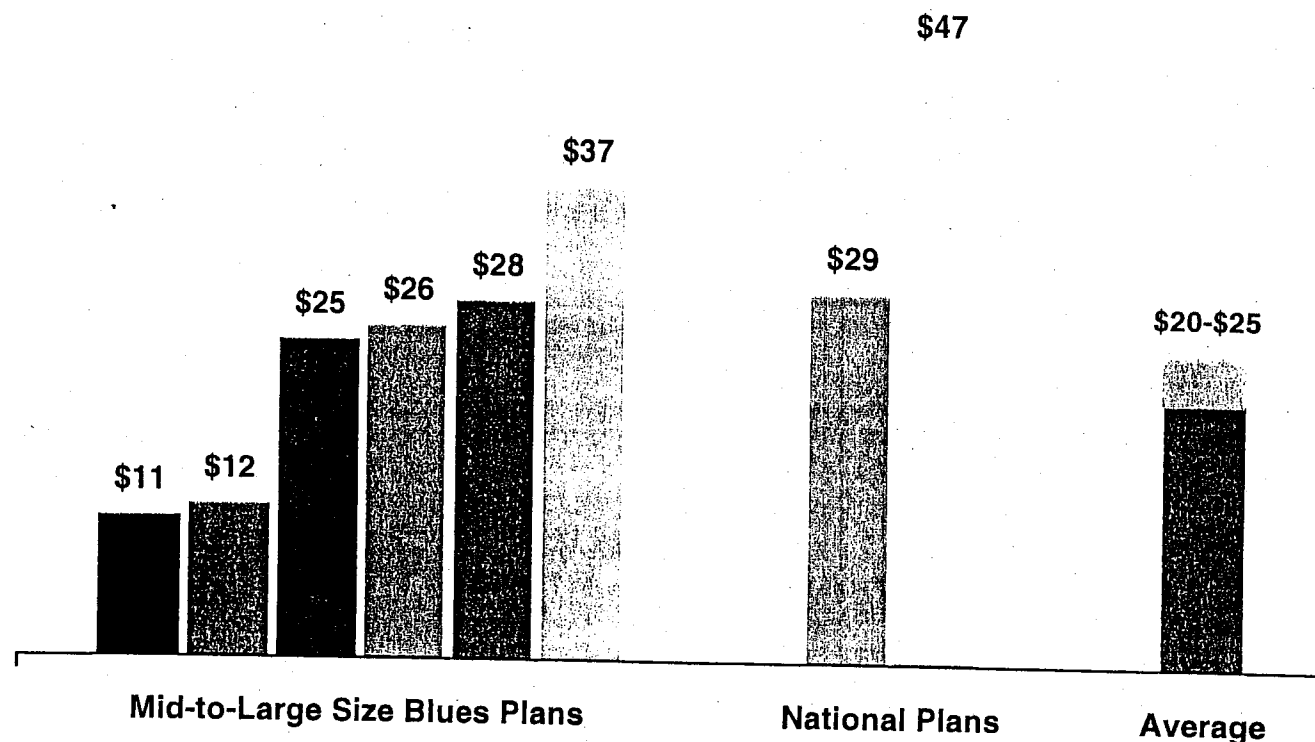
*eCommerce improvements are expected to be implemented over 2-4 years. Data on this slide estimates a range for an annual budget.

Source: Gartner Research, 2000 Payer IT Budget and Staffing Survey, August 14, 2001; Gartner Research, 2000 IT Spending and Staffing Survey, October 2, 2000; Accenture Analysis

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Selected large health plans are projected to spend between \$10 - \$40 million over several years to acquire and implement new eCommerce technologies.

Projected FY2000 eCommerce Investment
(as of June, 2000, \$ in Millions)



Source: Accenture informal survey of 8 health plans with 2 million members or more, June 2000

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Details to
Follow

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Source: Gartner Research, 2000 Payer IT Budget and Staffing Survey, August 14, 2001; Gartner Research, 2000 IT Spending and Staffing Survey, October 2, 2000; SEC Filings; Company press releases; Merger news articles; Accenture analysis, surveys and client experience

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Recent survey findings regarding IT expenditures suggest that a plan similar in size to CareFirst will allocate \$3.3 - \$6.6 million a year on Consumer-focused initiatives.

Estimated Health Plan Consumer-focused Initiatives Budget*

Gartner - 2000 Payer IT Budget and Staffing Survey Health Plans >\$500MM Revenues

	\$PMPY
Operating budget allocation	\$ 32.28
Capital budget allocation	\$ 14.05
Total IT Spend \$PMPY	\$ 46.33

Gartner - 2000 IT Spending and Staffing Survey Insurance - Health/HMO

IT Budget Category	% of IT
New Developments	17.4%
• 100% allocated to: HIPAA, eCommerce, Consumer-focused Initiatives and IT Infrastructure	
Major Enhancements	12.1%
• 100% allocated to: HIPAA, eCommerce, Consumer-focused Initiatives and IT Infrastructure	
Application Support & Maintenance	15.0%
• <5% allocated to: eCommerce	
Infrastructure & Administration	55.5%
• <5% allocated to: eCommerce	

IT Spend Assumptions

	% of IT
Core Operations and Maintenance	68.2%
E-Business as % of Operating Budget	12.7%

Low Estimate

1.25 Million Members

High Estimate

2.5 Million Members

$$\begin{aligned}
 & \text{1.25 Million Members} \times \$46.33 \text{ (Total IT Spend \$PMPY)} \\
 & = \text{Annual IT Budget} \\
 & = 68.0\% \text{ (IT Spend Related to Core Operations and Maintenance)} \\
 & = 12.7\% \text{ (E-Business Spend, as Applied to Operating Budget)} \\
 & = \text{Annual IT Budget Avail for HIPAA, Consumer-focused Initiatives and IT Infrastructure} \\
 & \times 25.0\% \text{ (Allocation for Consumer-focused Initiatives)}
 \end{aligned}$$

\$3.3 MM

**Annual
IT Infrastructure Budget**

\$6.6 MM

*Budget estimates were modeled according to Gartner data relating to IT Budgets and E-Business spend as well as Accenture client experience and should be considered as a high-level range for large health plans. Approximately 80% of Consumer-focused investments (expected over the next 3-5 years) are estimated to be IT-related.

Source: Gartner Research, 2000 Payer IT Budget and Staffing Survey, August 14, 2001; Gartner Research, 2000 IT Spending and Staffing Survey, October 2, 2000; Accenture Analysis

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